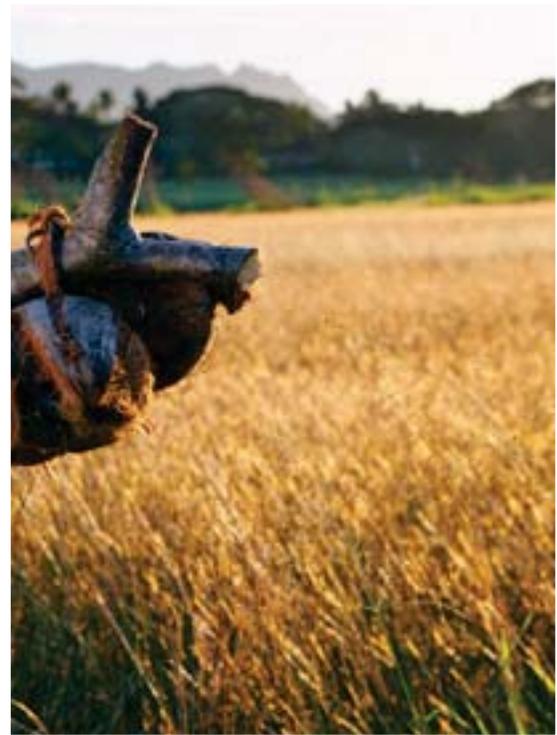




FIJI REVENUE & CUSTOMS AUTHORITY



2012 INCENTIVES BROCHURE

FIJI TAX AND CUSTOMS INCENTIVES



Introduction

The Fiji Revenue and Customs Authority (FRCA) reached its tenth year anniversary in 2008. Its establishment was a result of Government's decision to strengthen and consolidate synergies for the collection of revenues by the former two major Government Departments – The Fiji Inland Revenue Service (IRS) and the Fiji Islands Customs Service. Tax and Duty incentives form part of Fiji's investment promotion strategy and FRCA is the official Government agency responsible for the administration of these incentives. The incentives come in a variety of forms such as tax exemption, tax deduction, investment allowance, rebate, duty reduction and duty exemption.

FRCA FUNCTIONS

TAXATION

The Taxation Division is one of the operational arms of the authority that looks after all tax administration of the authority in its role of collecting tax revenue for the government.

CUSTOMS

The Customs Division is responsible for collection of revenue for FRCA in the customs area, acts as a principal agency for border control and the facilitation of trade.

CORPORATE SERVICES

The Corporate Services Division offers support functions to the Customs and Taxation Divisions of the Authority. The Division comprises seven sections.

Investment Facilitation

This role is performed in FRCA by the Policy Section.



2011 Revenue PERFORMANCE

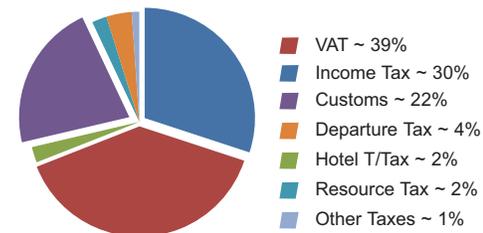
The Fiji Revenue & Customs Authority (FRCA) recorded solid revenue performance with outstanding tax collection last year. The revenue collection in 2011 exceeded the forecast by \$42.4m. Total tax revenue collected was \$1.586b against the revised forecast of \$1.543b. Most of the \$42.4m positive revenue variance was received from Income Tax and Value Added Tax (VAT).

The revenue growth in 2011 was a record 21.7% against the GDP growth rate of 2.1% due to new revenue policies as well as FRCA's continuous compliance efforts.

The 2011 revenue collection has increased the tax to GDP ratio from 21.4% in 2010 to 23.2% that prevailed last year. The total collection made up 90% of total government revenue in 2011 as compared to the 84.8% recorded in 2010.

2012 will be a huge challenge for us as we look at the revenue forecast of \$1.729b. In 2012, FRCA will put strong emphasis on compliance, publicity and awareness to ensure effective implementation of new measures announced in the National Budget.

Source: FRCA



VAT continued to be the dominant source of the overall tax revenue by accounting for about 39%. Income Tax and Customs accounted for 30% and 22% respectively. When compared to the last three years, it is observed that the proportion of VAT revenue to total tax revenue is increasing whilst the opposite trend is noticed for Income Tax and Customs mainly due to reduction in tax rate and increased concessions.

Investment indicators suggest some recovery for 2012. New lending for investment purposes rose by 50.5 percent in the year to November in 2011, suggesting firms' willingness to increase investment in line with the positive economic outlook for 2012. Nevertheless, recent investment intentions and activities have been focused on Fiji's resource and tourism sectors, suggesting subdued fixed capital formation in other industries.

Source: Reserve Bank of Fiji Economic Review Dec 2011

Incentives

1. 2001-2012 INVESTMENT PACKAGE
2. HOTEL INDUSTRY INCENTIVES
3. AUDIO VISUAL INCENTIVES
4. AGRICULTURE INCENTIVES
5. TAX FREE REGION INCENTIVES
6. ICT INCENTIVES
7. MANUFACTURERS
8. FIJI MY SECOND HOME PROGRAMME
9. FOREIGN CURRENCY ACCOUNT SCHEME
10. OTHER INCENTIVES
11. OTHER CUSTOMS CONCESSIONS



1. 2001 - 2012 Investment Package

A) TAX RATE DEDUCTION

- Corporate tax rate lowered from 28 percent to 20 percent.
- Companies by law will pay 90 percent of their advance payment within the fiscal year.
- Should free up money for businesses to invest in new opportunities, new infrastructure, and to reward increased productivity.
- To give added support to companies, all VAT refunds will now be paid within three months of being filed. To achieve this objective, FRCA will be given a revolving fund of \$20 million commencing in January to meet all of its VAT refund claims that are due.
- A "Gold Card" system will establish benefits for those companies that have a good track record for tax compliance. These benefits will include individualized services.
- Tax rate changes are shown in Table 1.

Table 1: Tax Rate Changes

YEAR	RESIDENT COMPANIES	NON-RESIDENT COMPANIES
2001	From 35% to 34%	From 45% to 34%
2002	From 34% to 32%	From 34% to 32%
2003	No change – 32%	No change – 32%
2004	From 32% to 31%	From 32% to 31%
2005 - 2008	No Change – 31%	No Change – 31%
2009	From 31% to 29%	From 31% to 29%
2010	From 29% to 28%	From 29% to 28%
2011	28%	28%
2012	From 28% to 20%	From 28% to 20%

B) INVESTMENT ALLOWANCE

- 60% deduction for investment allowance can be claimed between 2009 and 2012 in respect of qualifying expenditure in Fixed Line Next Generation Network.
- "Qualifying expenditure" means expenditure of at least \$50,000 on the acquisition of capital assets excluding land or building, a passenger vehicle or trading stock.
- "Fixed Line Next Generation Network" refers to items listed under Part VIIIIB of the Income Tax (Allowance for Depreciation and Improvements) Instructions 1998.
- Investment allowance (excluding cost of labor) of 40% for extension and renovation expenses with a minimum qualifying capital expenditure of \$50,000. This is only available to existing businesses in Vanua Levu.

C) ACCELERATED DEPRECIATION

- Accelerated depreciation for building erected before 2001 has been extended to 2014. 20% depreciation for building used for agricultural, commercial or industrial purpose can be written off within any 5 of 8 years.
- 100% write off will be available in the year the expenditure was incurred on water storage facilities and renewable energy plant and machineries.
- This will also be available to new plants and machineries used for manufacturing purposes.

D) EXPORT INCOME DEDUCTION

- "Export income" means net profits derived by a taxpayer from the business of exporting goods and services but excludes re-exports. Deduction shown in Table 2.

Table 2: Export Income Deduction

Year of assessment	Percentage of export income to be deducted
2011	50%
2012	40%
2013	30%
2014	20%
2015	10%
2016	Phased out

- Export income deduction will only be allowed if the Commissioner of Inland Revenue is satisfied that the export earnings will be remitted to Fiji.

E) LOSS CARRIED FORWARD

- Loss carried forward can be claimed up to 4 years. Loss carried forward by a company is allowed if that entity satisfies the continuity of ownership test or the same business test.

F) DUTY CONCESSIONS

PRODUCTION INPUTS

- All goods used as raw materials in the manufacture of approved goods not available locally will attract 3% fiscal duty + 15% VAT, and all raw material used for manufacturing by companies located outside of Viti Levu will attract 0% fiscal duty + 15% VAT.

CAPITAL ITEMS

- Duty rates on capital items (which refer to machinery used in the manufacture of approved goods) will attract 0% fiscal duty + 15% VAT.

DUTY SUSPENSION SCHEME

- Enables exporters to have access to inputs without having to pay for duties upfront.
- Imported goods are conditionally relieved from payment of fiscal duty and VAT on the basis that such goods will be substantially transformed through manufacturing or processing and subsequent exportation.
- The Scheme would entitle exporters to import duty free an amount equal to the proportion of approved imported inputs required to produce exports. This is called entitled Proportion (EP).
- Administered by the Fiji Export Council, which is a private sector led organization.
- Zero fiscal duty on New Machinery and Equipment that are directly related to the production process.

2. HOTEL INDUSTRY INCENTIVES

A) STANDARD ALLOWANCE

- Investment allowance (in addition to ordinary depreciation) of 55% of total capital expenditure is allowed as a deduction provided there is no shift of tax revenue to other countries.
- Applicable to building of new hotel including renovations or refurbishments or extensions of existing hotel and International Retiree Facilities.
- Investment Allowance can only be written-off against the income of the hotel business or income from the hotel premises.
- Losses carried forward can be claimed for upto 4 years.
- Recipients of the provisional approval for Standard Allowance to commence implementation of project within one year.
- Investors would only need to provide a sketch plan to obtain provisional approval for the investment allowance, and not necessarily a certified approved.

B) NEW SHORT LIFE INVESTMENT PACKAGE

- 10 year tax holiday for capital investments not less than \$7 million.
- Import duty exemption on all capital goods (including capital equipment, plant & machinery) not available in Fiji but this does not include furniture or motor vehicles that are used in carrying out the investment.
- Short Life Investment Package (SLIP) Incentives is also available for retirement facilities and hospital resorts.
- Recipients of the provisional approval for Standard Allowance to commence implementation of project within one year.
- Investors would only need to provide a sketch plan to obtain provisional approval for the investment allowance, and not necessarily a certified approved.



3. AUDIO VISUAL INCENTIVES

A) INCOME TAX DEDUCTIONS

- 150% deduction for capital expenditure on an F1 audio-visual production.
- 125% deduction for capital expenditure on an F2 audio-visual production.

Levels of Expenditure in Fiji for an audio-visual production for F1 and F2 status should not be less than:

- 40% for a large format film, a feature film or broadcast television programmes;
- 50% for a direct to video programme or video disk programme; and
- 55% for an audio recording.

B) INCOME TAX EXEMPTION

- Net income from an F1 production is exempt until taxpayer has received a 60% return on capital expended. Thereafter, net income will be fully taxed at the marginal rate.
- Net income from an F2 production is exempt until taxpayer has received a 50% return on capital expended. Thereafter, net income will be fully taxed at the marginal rate.

C) STUDIO CITY CONCESSIONS

- Any sole proprietor, partnership or company that carries on a production activity (the production of, distribution of or supply of services to audio-visual productions) may qualify for an operating licence in the Studio City Zone and be entitled to an exemption from tax on the income from the production activity carried on in the Zone.
- Tax free status for "permanent residents" of the Studio City Zone on income derived as earnings from audio-visual productions.
- For residence in the Zone to be approved, in the case of citizens, the individual must be:
 - resident in the Zone for at least 183 days;
 - have pre-tax audio visual earnings in excess of \$100,000;
 - have fixed assets in the Zone in excess of \$250,000; and
 - maintain a primary place of residence in the Studio City Zone.
- For residence in the Zone to be approved, in the case of non-citizens (or a citizen who derives a minimum of 80% of audio visual earnings from outside Fiji), the individual must be: -
 - resident in the Zone for at least 60 days;
 - have pre-tax audio visual earnings in excess of \$100,000;
 - have fixed assets in the Zone in excess of \$250,000; and
- maintain a permanent place of residence in the Studio City Zone.

D) FILM TAX REBATE

Summary Part IV, 6th Schedule – Income Tax Act

	Fiji Film Tax Rebate Bill
Rebate Amount	47% tax rebate or credit on production costs spent in Fiji: paragraph 68(1)
Eligibility	Films and television productions, as per existing Sixth Schedule: paragraph 69
Minimum Spend in country	Minimum spend in Fiji F\$250,000 for feature films and broadcast television; and \$50,000 for production intended as an advertising program or commercial in at least one significant international market : paragraph 69(e)
Maximum Rebate	F\$11.75 million, so even if more than \$25 million spent in Fiji the maximum rebate is still F\$11.75 million: paragraph 68(2).
Exclusions	Where a producer has chosen to access the film tax rebate, the producer will not be able to obtain any other tax concessions under Parts 3 of Sixth Schedule: paragraph 67(2).



4. AGRICULTURE INCENTIVES

A) Commercial Agriculture and Agro-Processing

New Businesses from 2009 onwards

- The income of any new activity in commercial agricultural farming and agro-processing approved and established from 1 January 2010 to 31 December 2014 shall be exempt from tax for 10 consecutive fiscal years with a capital investment of \$2,000,000 or more.

Bio – Fuel Production

- 10 year tax holiday is available to a taxpayer undertaking a new activity in processing agricultural commodities into bio-fuels as approved by the Commissioner from 1 January 2009 to 31 December 2014. To qualify, the taxpayer must have:-
 - Minimum level of investment of \$1,000,000; and
 - Employ 20 local employees or more for every income year.
- Duty free importation of plant, machinery and equipment for initial establishment of the factory.
- Duty free importation of chemical required for bio-fuel production.

B) SMALL AND MICRO ENTERPRISES (SME'S)

Income tax exemption to be applicable to selected sectors with maximum turnover threshold of \$300,000. The sectors include:

- Agriculture and Fishing (Sugarcane Farmers; Coconuts; Rice; Ginger; Yaqona; Fishing; Raising Livestock; Vegetable; dalo, cassava and other root crops production; farming and Bee keeping).
- Tourism (Sea Cruise and River tour Operators).
- Community and Social Services (Amusement, recreation services; traditional handicraft producers (not "middleman" or agents).
- Supportive projects to tourism industry (flora, fauna and other natural characteristics of Fiji; and history, traditions, cultures and ways of life of its peoples).

5. TAX FREE REGION INCENTIVES

Who will qualify for this incentive?

- This incentive is available to a newly incorporated entity engaged in a new trade, business or manufacture established in the following areas:-
 - Vanua Levu – included Taveuni, Rabi, Kioa and other islands generally included for government's administrative purpose as being in the Northern Division;
 - Rotuma; Kadavu; Levuka; Lomaiviti; and Lau.
- Any company may apply to the Minister for Finance in a prescribed form for an operating license.

Criteria for Grant of License

- The company is a newly incorporated entity engaged in a new trade, business or manufacture.
- The minimum initial level of investment should be \$250,000 from 1 January 2010.

Tax Exemptions Available

- The income of any new activity approved and established between 1 January 2010 to 31 December 2014 shall be exempt from tax as follows:
 - capital investment from \$250,000 to \$1,000,000, for a period 5 consecutive fiscal years; or
 - capital investment from \$1,000,000 to \$2,000,000, for a period of 7 consecutive fiscal years; or
 - capital investment above \$2,000,000 for a period of 13 consecutive fiscal years.
- The income of any new activity approved and established from 1st January 2015 shall be exempt from tax for a period of 13 consecutive fiscal years with an initial capital investment of \$2,000,000 or more.

Duty Exemption

- Import duty exemption on the importation of raw materials, machinery and equipment (including parts and materials) for the establishment of the business for 12 months from the date of approval. The duty exemption will cease upon the establishment of the business in the Tax Free Region.

Other benefits under the TFR

- Additional 5 years of income tax exemption is available to any company granted a license and having indigenous *i-Taukei* landowner equity of at least 25 percent.
- Additional 7 years of income tax exemption is available to any hotel developer granted a license and having indigenous Fijian landowner equity of at least 25 percent.

6. INFORMATION COMMUNICATION TECHNOLOGY (ICT) INCENTIVES

1. The income of an Information Communication Technology (ICT) operator operating in the declared Kalabu Tax Free Zone from 1 January 2007 to 31 December 2016 shall be exempt from tax for 10 years.
 - Income tax exemption is available to ICT investors under the following criteria:-
 - Business employs 50 employees or more for any 6 months within the income year; and
 - 60 percent of its total services is exported.
2. The income of an ICT operator anywhere outside the Kalabu Tax Free Zone who is granted a license between 1 January 2008 and 31 December 2010 shall be exempt from tax for 10 years.
 - Any ICT operator may apply and pay a license fee of \$1,000 per annum to the Commissioner of Inland Revenue. The Tax exemption is granted from the date of the initial license.
 - Income tax exemption is available to ICT investors under the following criteria:-
 - Business employs 50 employees or more for any 6 months within the income year; and
 - 60 percent of its total services is exported.
3. The income of any new operator who is granted a license from 1 January 2009 to be exempt from tax for a period of 13 years
 - Any new operator may apply and pay a license fee of \$1,000 per annum to the Commissioner of Inland Revenue. The Tax exemption is granted from the date of the initial license.
 - Income tax exemption is available to investors under the following criteria:-
 - Business employs 50 employees or more for any 6 months within the income year; and
 - 50 percent of its total services is exported.
 - Duty free importation of computer, computer parts & accessories, plant, equipment & fittings, and specialised furniture for initial establishment and during its ongoing operations to approved ICT/BOP Business operators from 1 January 2009.



Additional Tax Incentives for ICT Industries

- Tax Exemption is available to new ICT operators and existing ICT businesses for a period commencing 1 January 2006 to 31 December 2012.
- The exemption is available to ICT businesses employing more than 50 employees and investing before 31 December.
- Additional incentives to attract setting up of ICT industries includes:
 - 80% income tax exemption for businesses employing 101 or more employees;
 - 60% income tax exemption for businesses employing from 60 to 100 employees; and
 - 40% income tax exemption for businesses employing from 10 to 59 employees.

7. MANUFACTURERS INCENTIVES

Food Processing & Forestry

- 100% of the amount of investment as a deduction for investing in food processing as well as forestry. Re-investment will also be allowed for expansion purposes. In order to qualify, the investor should utilize 50% of local produce in its production process.

Renewable Energy Projects and Power Cogeneration

- 5 year tax holiday is available to a taxpayer undertaking a new activity in renewable energy projects and power cogeneration as approved by the Commissioner.
- Duty free importation of renewable energy goods is also available.

8. FIJI MY SECOND HOME PROGRAMME

- This Programme is open to citizens of other countries recognized by Fiji in the "Fiji My Second Home Programme" as administered by the Reserve Bank of Fiji.
- Interest income is exempt from tax under the following criteria:-
 - Age below 50 years old:
 - Minimum deposit of \$150,000 and maintain the deposit in Fiji for a minimum of two years.
 - Age 50 years and above:
 - Minimum deposit of \$100,000 and maintain the deposit in Fiji for a minimum of two years.
- To qualify the applicant must maintain a minimum balance of \$50,000 from the third year onwards and throughout the entire stay in Fiji.



9. FOREIGN CURRENCY ACCOUNT SCHEME

- Interest income is exempt from tax which accrues to or in favor of a non-resident including former Fiji residents who hold funds in Fiji commercial bank accounts under the following criteria:-
 - For foreign currency accounts, interest income for deposit above the equivalent of FJD\$150,000;
 - For Fiji Dollar accounts, any amount of interest income.

10. OTHER INCENTIVES

- Employment Taxation Scheme – 150% of the salary and wages paid within 1 January 1997 and 31 December 2012 are tax deductible. The deduction is restricted to salary and wages paid in respect of 12-month period commencing from the date of the appointment of the employee provided he or she has not previously been in full-time paid employment.

LAWS ADMINISTERED BY FRCA

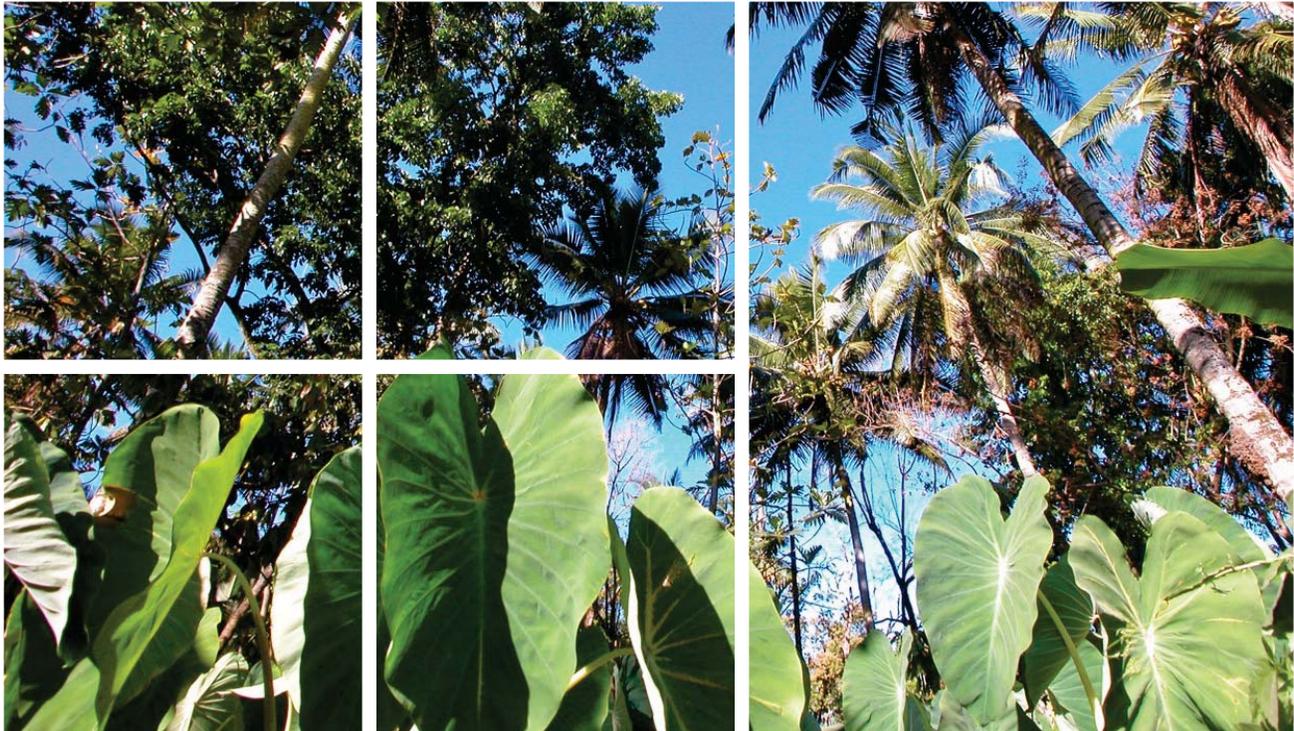
The Authority administers the following legislation: Income Tax Act (Cap 201); Customs Act 1986; Customs Tariff Act 1986; Excise Act 1986; Gambling Turnover Tax Decree 1991; Value Added Tax Decree 1991; Merchandise Marks Act (Cap 241); Wreck and Salvage Act (Cap 198); Water Resource Tax Promulgation 2008; Tax Administration Decree 2009; Superyacht Charter Decree 2010; Capital Gains Tax Decree 2011; Airport Departure Tax Decree 2012; Fringe Benefit Tax Decree 2012 and Service Turnover Tax Decree 2012.

11. OTHER CUSTOMS CONCESSIONS

Industry	Items	Fiscal	VAT
PAFCO VITI FOODS LIMITED	1. Fish	Free	15%
	2. Salt	Free	15%
	3. Edible oil	Free	Free
Fiji Dairy Limited	Full Cream Powdered Milk in Bulk	Free	Free
	Liquid Milk in Bulk	Free	15%
	Bulk Butter	Free	15%
Fisheries & Forestry	Specialised machineries directly used for fisheries and forestry purposes. The importation under concession is subject to the condition that a letter of approval is issued by Department of Fisheries & Department of Forests in relation to goods under concession.	Free	15%
Agriculture & Dairy	Specialised agriculture, livestock and dairy machineries excluding those that attract duty rates of Free Fiscal and free Import Excise in the Tariff. The importation under concession is subject to the condition that a letter of approval is issued by the Ministry of Agriculture in relation to goods under concession.	Free	15%
Sports Supplement	Protein shakes and sporting tablets/capsules that will enhance athletic performance by supplying nutrients to the body which are lost in the process of strenuous training and fitness programs. This concession does not extend to the products Powerade, Gatorade, Red Bull, V-Drink, Mother, etc.	Free	15%
Cabin And Chassis	a) New Chassis fitted with engines and cabs, whether or not the cab is complete of the following tariff items - 8704.21.11 -8704.21.13 -8704.22.11 -8704.22.12 -8704.23.10 -8704.31.11 -8704.31.13 -8704.32.11 -8704.32.13	5%	15%
	b) New chassis fitted with engine for the motor vehicles of 8701 to 8705 falling under tariff items 8706.00.10 and 8706.00.91	5%	15%

Note:

Other concessions for goods, persons, bodies or organisations are covered under part ii & iii of the Customs Tariff Act.



FIJI REVENUE & CUSTOMS AUTHORITY

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Disclaimer

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